

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 7

2. STATE: Georgia

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
May 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR 447.250

7. FEDERAL BUDGET IMPACT:  
a. FFY 2001 \$ 9,904,256  
b. FFY 2002 \$ 12,835,599

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D, pp. 75, 76

New

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

New

10. SUBJECT OF AMENDMENT:

NURSING HOME SERVICES - LIABILITY INSURANCE

GVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☒ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE/AGENCY OFFICIAL:

13. TYPED NAME: MARK TRAIL

14. TITLE: Acting Director, DMA

15. DATE SUBMITTED: April 17, 2001

16. RETURN TO:

Department of Community Health  
Division of Medical Assistance  
2 Peachtree Street, N.W.  
Atlanta, Georgia 30303-3159

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
April 17, 2001

18. DATE APPROVED:  
June 7, 2001

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
May 1, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:  
Eugene A. Granger

22. TITLE: Associate Regional Administrator  
Division of Medicaid and State Operations

23. REMARKS:

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## METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – NURSING FACILITY SERVICES

Subject to the availability of funds, effective on and after May 1, 2001, the payment method for nursing home services will be modified as follows:

- A nursing home may request a payment rate adjustment for significant increases in cost for liability insurance.
- To be eligible for such a rate adjustment, a nursing home must demonstrate that its liability insurance cost has increased more than 25% above the amounts reported in its fiscal year 1999 cost report that was used to set current rates of payment. A nursing home with a current rate of payment not based on its fiscal year 1999 cost report will not be eligible for a rate adjustment for fiscal year 2001. Payments in fiscal year 2002 will be based upon liability insurance cost increases more than 25% above the amounts reported in the cost report used to set payment rates.
- A nursing home must demonstrate that alternate sources of liability insurance were considered.
- If a nursing home increases its liability insurance coverage from fiscal year 1999, a rate adjustment may be requested only for the portion of the cost increase attributable to prior levels of liability insurance coverage.
- A nursing home may request a rate adjustment for increased liability insurance costs for a self-insured plan. Such increases must meet HCFA requirements for recognition of allowable self-insured costs.
- The nursing home must provide documentation of its increased liability insurance costs as requested by the Division of Medical Assistance.
- For increases in cost for liability insurance paid prior to May 1, 2001, requests for payment rate adjustments must be submitted by May 30, 2001 and may include increased costs for the current fiscal year. For increases in liability insurance costs paid on or after May 1, 2001, requests for payment rate adjustments must be submitted within 30 days after the payment date for the liability insurance.
- The Division of Medical Assistance will establish a per bed maximum allowable amount of liability insurance costs to determine the reasonableness of any rate adjustment request. The maximum allowable amount will be set in such a manner as to exclude the higher cost of liability insurance that may be assigned to a nursing home with a history of significant losses or to a nursing home with insufficient quality assurance practices.

Any allowed rate adjustment for liability insurance costs will be added to a nursing home's current rate of payment. Rate adjustments for liability insurance costs will not be limited by cost center maximum amounts applied in current rate calculations. Rate

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES –  
NURSING FACILITY SERVICES

adjustments for liability insurance costs will not be impacted by growth allowance factors applied in current rate calculations.